

CERTIFIED MAIL

MAR 26 1986

Dear Applicant:

We have received your application Form 1023, request for recognition of exemption from Federal income tax as an organization described in Section 501(c)(3) of the Internal Revenue Code.

The information you submitted shows that you are formed as a non-profit organization. Your stated objective is to provide transportation for students of [REDACTED] by arranging and paying for contracted bus transportation.

Membership in your organization is open to any [REDACTED] parent who subscribes for bus transportation. The parent is assessed a yearly bus fee based on the distance of the basic route. The fee ranges from \$[REDACTED]-\$[REDACTED] annually.

Your organization's activity consists of operating [REDACTED] bus routes supplying daily transportation to and from school for [REDACTED] students under a contract agreement between [REDACTED] and [REDACTED].

Your income is derived from bus fees assessed of your members, and interest. Disbursements are made for operating expenses and refund of fees to the members.

Section 501(c)(3) of the Internal Revenue Code provides for exemption from Federal income tax for organizations which are organized and operated exclusively for religious, charitable, scientific, testing for public safety, literary, or educational purposes, or to foster national or international amateur sports competition, or for the prevention of cruelty to children or animals, no part of the net earnings of which inures to the benefit of any private shareholder or individual. A shareholder refers to anyone having a personal and private interest in the activities of the organization.

Code	Initiator	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer	Reviewer
Surname							
Date	3-17-86	3/24/86					

Section 1.501(c)(3)-1(a)(1) of the Income Tax Regulations states that in order for an organization to be exempt under Section 501(c)(3) of the Code it must be organized and operated exclusively for one or more purposes specified in such section. If an organization fails to meet either the organizational test or the operational test, it is not exempt.

Section 1.501(c)(3)-1(b)(4) of the Income Tax Regulations states that an organization is not organized exclusively for one or more exempt purposes unless its assets are dedicated to an exempt purpose, for example, if, upon dissolution, such assets would, by reason of a provision in the organization's articles or by operation of law, be distributed for one or more exempt purposes, or to the Federal government, or to a State or local government, for a public purpose, or would be distributed by a court to another organization to be used in such manner as in the judgment of the court will best accomplish the general purposes for which the dissolved organization was organized. However, an organization does not meet the organizational test if its articles or the law of the State in which it was created provide that its assets would, upon dissolution, be distributed to its members or shareholders.

Section 1.501(c)(3)-1(c)(1) of the Regulations states that an organization will be regarded as "operated exclusively" for one or more exempt purposes only if it engages primarily in activities which accomplish one or more of such exempt purposes specified in Section 501(c)(3). An organization will not be so regarded if more than an insubstantial part of its activities is not in furtherance of an exempt purpose.

Section 1.501(c)(3)-1(d)(1)(ii) of the Regulations states that an organization is not organized or operated for any purpose under Section 501(c)(3) unless it serves a public rather than a private interest.

Thus to meet the requirements of this subparagraph, it is necessary for an organization to establish that it is not organized or operated for the benefit of private interests such as designated individuals, the creator or his family, shareholders of the organizations, or persons controlled, directly or indirectly, by such private interests. Moreover, even though an organization may have exempt purposes, it will not be considered as operating exclusively for such purposes if more than an insubstantial part of its activities serve a private interest.

Revenue Ruling 69-175, 1969-1, C.B. 149, holds that a non-profit organization, formed by parents of pupils attending a private school, that provides bus transportation for its members' children serves a private rather than a public interest and does not qualify for exemption under Section 501(c)(3) of the Code.

[REDACTED]

Your sole activity and purpose as set forth and cited in this letter is to provide daily transportation for students of [REDACTED]. Thus you are organized for the private benefit of your members and do not serve a broad public purpose as required by Section 1.501(c)(3)-1(d)(1)(i) of the Regulations. Neither are your activities in furtherance of charitable, educational or other purposes specified in Section 501(c)(3).

Your dissolution, as stated in your By-Laws, provides in part, that all monies be transferred to the General Fund Account of [REDACTED]. The clause does not require [REDACTED] to be organized and operated for 501(c)(3) purposes. Therefore your dissolution clause does not meet the requirements of Section 1.501(c)(3)-1(b)(4) of the Regulations.

Therefore based upon the information you have submitted and as cited in this letter established that you are not organized and operated for Section 501(c)(3) purposes. Accordingly, we concluded that you are not entitled to recognition of exemption from Federal income tax under Section 501(c)(3) of the Internal Revenue Code. It is also determined that tax exempt status will not be recognized under any related paragraph of Section 501(c) of the Code.

You are required to file Federal income tax returns on Form 1120. Contributions to you are not deductible under Section 170 of the Code.

If you do not accept our findings, we recommend that you request a conference with a member of our Regional Office of Appeals. Your request for a conference should include a written appeal giving the facts, law, and any other information to support your position as explained in the enclosed Publication 892. You will then be contacted to arrange a date for a conference. The conference may be held at the Regional Office, or if you request, at any mutually convenient District Office. If we do not hear from you within 30 days from the date of this letter, this determination will become final.

A copy of this letter will be sent to the appropriate state officials in accordance with Section 6104(c) of the Internal Revenue Code.

[REDACTED]

If you do not protest this proposed determination in a timely manner, it will be considered as a failure to exhaust available administrative remedies. Section 7428(b)(2) of the Internal Revenue Code provides in part that, "A declaratory judgment or decree under this Section shall not be issued in any proceeding unless the Tax Court, the Court of Claims, or the district court of the United States for the District of Columbia determines that the organization involved has exhausted administrative remedies available to it within the Internal Revenue Service."

Sincerely yours,

[REDACTED]
District Director

Enclosure: Publication 892
cc: State Attorney General